

Message Text

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ACTION EA-09

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E.O. 11652: N/A
TAGS: EMIN, TH
SUBJ: THAI ZINC: FINAL AGREEMENT IN SIGHT

REF: BANGKOK 32047

1. ACCORDING THAI ZINC OFFICIALS, WEEK OF TALKS BETWEEN NEW JERSEY ZINC, THAI ZINC, INTERNATIONAL FINANCE COMPANY (IFC) AND RTG HAS PRODUCED DRAFT AGREEMENT ACCEPTABLE TO BOTH SIDES. AS NEXT STEP, MINISTER OF INDUSTRY WILL SUBMIT PROPOSAL FOR CABINET CONSIDERATION. IF APPROVED, THAI ZINC AND DEPARTMENT OF MINERAL RESOURCES (DMR) WILL SIGN FORMAL AGREEMENT.

2. UNDER TERMS OF NEW PROPOSAL, NEW JERSEY ZINC WILL OWN 100 PERCENT OF THAI ZINC SHARES, BUT WILL OFFER SOME SHARES TO RTG AFTER FINANCING IS SECURED. THAI ZINC OFFICIALS CONSIDER AGREEMENT "BANKABLE" SINCE IFC, WHICH IS TO BE PRIME LENDER, PARTICIPATED IN DISCUSSIONS. RTG PUBLIC PROSECUTORS OFFICE ALSO SAT IN ON FINAL STAGES OF TALKS IN ORDER OBVIATE ANY FUTURE BACKLASH A LA TMECO WITH REGARD TO LEGAL ASPECTS.

3. IMPORTANT NEW ELEMENT IS THAT RTG HAS GIVEN AGREEMENT IN PRINCIPLE TO AWARD THAI ZINC A CONCESSION FOR 25-YEAR PERIOD. CURRENT CONCESSION EXPIRES IN 1985, AND NEW JERSEY ZINC HAD TAKEN POSITION THAT CONCESSION GUARANTEED ONLY UNTIL 1985 WOULD NOT WARRANT INVESTMENT OF \$90 MILLION IN SMELTER.

AS AGREED, AFTER FINAL CONTRACT IS SIGNED AND SMELTER FINANCING IS FIRM, DMR WILL ISSUE NEW 25-YEAR CONCESSION
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AND CANCEL EXISTING ONE.

4. THAI ZINC OFFICIAL SAID NEGOTIATIONS WERE CONDUCTED IN
AMICABLE AND PROFESSIONAL MANNER, AND APPEARED MORE HOPEFUL
OF EVENTUAL SUCCESS THAN AT ANY TIME IN LAST 30 MONTHS.
WHITEHOUSE

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